

ANN KIRKPATRICK
1ST DISTRICT, ARIZONA

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Congress of the United States
House of Representatives
Washington, DC 20515-0301

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The Honorable Gina McCarthy
Administrator
United States Environmental Protection Agency
William Jefferson Clinton Building
1200 Pennsylvania Avenue, N. W.
Washington, DC 20460

Dear Administrator McCarthy,

I am writing on behalf of my Arizona constituents to clarify aspects of EPA's recently proposed rule under Section 111(d) of the Clean Air Act that would regulate greenhouse gas emissions from existing power plants ("Proposed Rule"). As I read the Proposed Rule, its reach into energy regulatory matters and energy policy is unprecedented. It also appears that Arizona, a state with already low GHG emissions, would incur higher costs and greater impacts than many states with significantly higher GHG emissions and emission rates. Thus, it is vitally important that EPA carefully consider the consequences of its proposal before issuing a final rule.

In designing the Proposed Rule, EPA relies on four building blocks to set state emission rate goals: Block 1, "energy efficiency improvements," Block 2, "redispatch to natural gas combined cycle units," Block 3, "renewable energy and nuclear resources," and Block 4, "demand side management efficiency." States would be required to meet an "interim goal" between 2020-2029 and a "final goal" in 2030. EPA has stated it intends to issue a final rule in June 2015, which would require states to submit plans implementing the final rule by June 2016.

The Proposed Rule raises several important issues for Arizona. First, the Proposed Rule would impose on Arizona greater reductions than required of most other states and does so more quickly. The Proposed Rule would require a greater than 50 percent reduction below 2012 levels (1453 lbs/MWH to 702 lbs/MWH). The technical-support documents indicate that this would result in incremental costs in Arizona that are greater than all but six states, even though Arizona already has very high levels of renewable non-emitting nuclear and hydro generation, resulting in a very low carbon intensity for our electric system.

The Proposed Rule would impose these reductions on Arizona very quickly with the potential for severe economic impacts. The Proposed Rule would impose on Arizona an interim emission rate limit of 735 lbs/MWH starting in 2020. Since the final limit is 702 lbs/MWH, this means that Arizona must achieve 98 percent of its total reductions just a few years after the Proposed Rule is finalized. Meeting the interim goal would require a dramatic and abrupt shift in generation from coal-fired plants to natural gas combined cycle ("NGCC") facilities. EPA's Integrated Planning Model indicates that many of Arizona's coal-fired power plants would cease operating by 2020. These plants are important sources of high-wage employment, and most are located in rural areas where there are few or no alternative employment options. This could devastate local economies. Further, the shift in generation would be, to a large extent, from regulated utilities and municipal power authorities to merchant generators that were constructed to serve non-Arizona customers. This raises a host of regulatory and economic questions about EPA's

authority to dictate to the Arizona Corporation Commission the non-economic dispatch or generation and the effect of such requirements on rates.

While I support EPA's efforts to address greenhouse gas emissions, the effort must be balanced against individual economic hardships and the economic health of local economies. On behalf of the residents of Arizona, I ask EPA to consider changes to the Proposed Rule to avoid abrupt and economically disruptive changes to Arizona's utility system. To this end, I look forward to your responses to the following questions:

1. Why did EPA impose such an aggressive interim target on Arizona? Is it EPA's intention that most of Arizona's existing coal-fired generating units be retired by 2020? Did EPA consider allowing states to develop a more gradual and less economically disruptive approach to achieving reductions and that would allow for the construction of replacement generation?
2. Did EPA analyze the localized economic impacts that will result from forcing coal plant retirements in or near 2020? In particular, did EPA consider the strain that coal-plant retirements will place on rural areas facing a sudden increase in unemployed residents?
3. Please explain the legal and regulatory mechanisms EPA understands it has under the Clean Air Act to require the Arizona Corporation Commission to direct merchant NGCCs to increase generation to replace generation from existing coal-fired plants?
4. Did EPA analyze the impact of stranded costs from early retirement of coal-fired power plants on Arizona's electric rates? If so, please provide us with the analysis.
5. EPA's supporting documentation indicates that the marginal cost of abatement of greenhouse gas emissions in Arizona is significantly higher than in all but six states. What is the explanation for this disparity?
6. EPA's supporting documentation indicates that the Arizona emission rate goals were set using a disproportionately high renewable energy goal. Why is Arizona's renewable energy goal so much higher than the renewable energy goals in neighboring states?
7. EPA's supporting documentation indicates it failed to consider the nuclear and hydropower facilities currently operating in Arizona. These facilities help Arizona achieve one of the nation's lowest per MWH GHG rates, which makes the imposition of further limits on the state seem more unfair and inappropriate. Why did EPA ignore these zero-emission resources?

Sincerely,

A handwritten signature in black ink, appearing to read 'Ann Kirkpatrick', written over a horizontal line.

The Honorable Ann Kirkpatrick
U.S. Representative, Arizona District One